

Direxion Hydrogen ETF

Methodology Summary

Fund Summary

The [Direxion Hydrogen ETF \(HJEN\)](#) provides exposure to companies related to the hydrogen industry, including hydrogen generation, transportation and storage, fuel cells and stations, and hydrogen-based vehicles.

(HJEN) may be considered a satellite holding to complement other broader positions within a portfolio.

Constituent Universe

Common equity securities, including depository receipts (ADRs), listed in developed and emerging markets.

- **Size:** Securities must have a market capitalization of at least \$100 million. Securities trading at a price of \$10,000 or above are ineligible for inclusion, however existing constituents shall remain irrespective of their stock price.
- **Liquidity:** Securities must have a six-month average daily turnover greater than or equal to \$1 million on the specific listing line. The security must have traded on 90% of the eligible trading days in the last six months. Should a security not have a trading history of six months (only IPOs), it must have started trading at least 3 months before the start of the reconstitution/rebalancing process, and should have traded on 90% of the eligible trading days for the past three months. All securities must have a minimum free float equivalent to 10% of shares outstanding.

Benchmark Index

Indxx Hydrogen Economy Index (IH2ECO)

The index captures 30 companies across the following five hydrogen-related themes:

1. **Hydrogen Production and Generation:** Companies involved in the process of hydrogen generation, in either liquid or solid form.
2. **Hydrogen Storage and Supply:** Companies engaged in providing storage and transportation services of hydrogen. It also includes companies that supply hydrogen to various users and operate hydrogen fueling stations across countries.
3. **Fuel Cell and Battery:** Companies manufacturing fuel cells and batteries that are run on hydrogen-based technology.
4. **Hydrogen Systems and Solutions:** Companies offering equipment, components or technology used in hydrogen industry. Those involved in providing solutions and systems to the value chain across hydrogen generation, storage and supply.
5. **Membrane and Catalyst:** Companies that design and produce membrane, filters, catalyst or membrane assemblies for fuel cell, or hydrogen-related, technologies.

Companies are then classified into one of the following types, based on revenue from the hydrogen-related themes:

- **Pure Play:** Greater than, or equal to, 50%
- **Quasi Play:** Greater than 20%, but less than 50%.
- **Marginal Play:** Less than 20%.

The top 30 Pure Play companies, by largest market capitalization, will form the final portfolio. If fewer than 30 Pure Play companies qualify for inclusion, then the Quasi Play companies, by largest market capitalization, are considered from the below Core group in a cyclical manner, based on the ranking of the themes within the group, until the count reaches 30. If the companies from the same Core group are exhausted and the portfolio size remains below 30, the process is then repeated over the Semi-Core themes. If the number of eligible Pure Plays and Quasi-Plays remains below 30, the same cyclical process is conducted over the Marginal companies until the portfolio size reaches 30.

Sub-Theme	Group	Sub-Theme Rank Within Group
Hydrogen Production and Generation	Core	1
Hydrogen Storage and Supply		2
Fuel Cell and Battery		3
Hydrogen Systems and Solutions	Semi-Core	4
Membrane and Catalyst		5

Component Weighting

30 Pure Play Constituents:

- Based on their free float-adjusted market capitalization, a single constituent may have a maximum weight of 8%, and a minimum weight of 1%. The excess weight is redistributed proportionately amongst the uncapped constituents.
- The aggregate weight of constituents with weight greater than or equal to 5% must not exceed 45%. In case the aggregate weight exceeds 45%, a secondary cap of 4.5% is applied. The excess weight is, again, redistributed proportionately amongst the uncapped constituents.

Less than 30 Pure Play Constituents:

- An aggregate weight cap will be assigned based on the number of constituents cumulatively in Quasi Play and Marginal Play:

Constituents	Aggregate Weight Cap for Quasi Play and Marginal Play
>12 Quasi and Marginal Play	40%
6-11 Quasi and Marginal Play	25%
<6 Quasi and Marginal Play	10%

- Pure Play constituents must have a minimum weight of 1%, while Quasi Play and Marginal Play companies must have a minimum weight of 0.5%. The required weight is derived proportionately from the uncapped constituents.
- In case the capping of weights becomes infeasible based on the aggregate weight, then the single constituent cap is lowered in steps by 1 % for Quasi Play and Marginal Play constituents followed by Pure Play constituents (if required), until it becomes feasible.
- In case number of Pure Plays drops significantly, to an extent that the weighting scheme becomes infeasible, the Quasi Play and Marginal Play basket cap is increased in steps of 5%, until it becomes feasible.

Rebalancing

- Quarterly rebalance the last trading day of January, April and July with annual reconstitution effective the last trading day of October.

Definitions:

Average Daily Trading Volume: Average daily trading volume (ADTV) is the average number of shares traded, within a day, in a given stock.

Free Float Market Capitalization: Calculated by taking the equity's price and multiplying it by the number of shares readily available in the market. Excludes locked-in shares, such as those held by insiders, promoters, and governments.

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Disclosures

An investor should carefully consider a Fund's investment objective, risks, charges, and expenses before investing. A Fund's prospectus and summary prospectus contain this and other information about the Direxion Shares. To obtain a Fund's prospectus and summary prospectus call 866-476-7523 or visit our website at direxion.com. A Fund's prospectus and summary prospectus should be read carefully before investing.

Shares of the Direxion Shares are bought and sold at market price (not NAV) and are not individually redeemed from a Fund. Market Price returns are based upon the midpoint of the bid/ask spread at 4:00 pm EST (when NAV is normally calculated) and do not represent the returns you would receive if you traded shares at other times. Brokerage commissions will reduce returns. Fund returns assume that dividends and capital gains distributions have been reinvested in the Fund at NAV. Some performance results reflect expense reimbursements or recoupments and fee waivers in effect during certain periods shown. Absent these reimbursements or recoupments and fee waivers, results would have been less favorable.

Indxx is not a sponsor of, or in any way affiliated with, the Direxion Hydrogen ETF.

Direxion Shares ETF Risks - Investing involves risk including possible loss of principal. There is no guarantee the investment strategy will be successful. Hydrogen companies may be

significantly impacted by obsolescence of existing technology, short product cycles, falling prices and profits, competition from new market entrants and general economic conditions. In addition, intense competition and legislation resulting in more strict government regulations and enforcement policies and specific expenditures for cleanup efforts can affect the industry. Because this is an emerging industry, companies are generally smaller and the share price of hydrogen companies may be more volatile than companies operating in other, more established industries. Additional risks of the Fund include, but are not limited to, Index Correlation/Tracking Risk, Index Strategy Risk, Natural Disaster/Epidemic and Market Disruption Risk, and risks associated with the market capitalizations and sectors of the securities in which the Fund may invest. Please see the summary and full prospectuses for a more complete description of these and other risks of the Fund.

Distributor for Direxion Shares: Foreside Fund Services, LLC.